



rules as a mechanism for selecting among mutually exclusive PCS license applicants.<sup>3/</sup> In light of pending federal legislation that would authorize competitive bidding for the selection of PCS licensees,<sup>4/</sup> CPI submits these limited *ex parte* comments to endorse a licensing concept that it believes will minimize the potentially adverse impact of competitive bidding on small and minority-owned businesses and facilitate the long term viability of small and minority-owned businesses in the PCS industry.

#### **I. STATEMENT OF INTEREST**

CPI is a small telecommunications company certified by the U.S. Small Business Administration as a Section 8(a)<sup>5/</sup> company. CPI provides telecommunications solutions and services to a wide range of customers ranging from small businesses to large private or public complexes. CPI markets telecommunications systems and products such as telephone switching equipment, microwave systems, key systems, voice mail systems, local area networks, wide area networks for voice, data and video services, and fiber optic cabling and terminals throughout the U.S. Given its experience and expertise in the telecommunications industry, CPI is well-positioned to provide PCS initially to its home state of Indiana and the mid-atlantic region.

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<sup>3/</sup> *Id.* at ¶¶ 82, 91, 92.

<sup>4/</sup> See "Emerging Telecommunication Technologies Act of 1993" - S. 335.

<sup>5/</sup> The Section 8(a) program is intended to assist socially disadvantaged persons based on racial identification in receiving government contracts.

## II. UMBRELLA LICENSING CONCEPT

As a small business heartened by the prospect of participating in the nascent PCS industry, CPI is concerned that contrary the Commission's stated goal and Congressional intent<sup>6/</sup> to encourage small and minority-owned businesses to participate in PCS market, the use of competitive bidding to award exclusive PCS licenses could effectively lock small entrepreneurial businesses out of the PCS market. CPI is further concerned that even if

CPI concurs with PCS Action, Inc. that providing an opportunity for PCS licensees to "franchise" portions of PCS licensing areas to other entities will facilitate the long term participation of small businesses in the PCS industry.<sup>2/</sup> Under this licensing approach, the PCS licensee would be responsible for building a seamless national or regional infrastructure with the local or regional "franchisees" financing the building and operation of the local or regional infrastructure through franchise fees and other financial contributions. CPI fervently believes that this licensing approach is superior to alternatives that would confer stand-alone licenses to numerous small entities. Significantly, this licensing approach would reduce the fixed and operating capital requirements that would likely inhibit the entry and long term participation of small companies in the PCS industry. This licensing approach would also create an industry structure conducive to the expeditious development of a seamless nationwide network.

### **III. TAX CERTIFICATES**

Although the umbrella licensing approach endorsed above will address the capital constraints faced by small businesses, based on its experience in the capital markets, CPI does not believe that this licensing approach alone will be sufficient to ensure opportunities for minority-owned small businesses to participate in PCS. To address the additional capital constraints facing minority-owned businesses, CPI urges the Commission to employ tax certificates as a means of increasing opportunities for minorities to participate in the nascent

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<sup>2/</sup> See Statement of PCS Action, Inc. to the FCC Small Business Advisory Committee, May 27, 1993.

PCS industry. In light of the proven effectiveness of the minority tax certificate program in increasing minority participation in the broadcasting industry, CPI believes that adapting the tax certificate program to the selection of PCS licensees will advance the Commission's stated goal of encouraging minority-owned business participation in PCS.

#### IV. CONCLUSION

CPI applauds the Commission's stated goal of increasing competition in the telecommunications industry by encouraging the participation of small and minority-owned businesses in the provision of PCS. In CPI's view, this goal can be best accomplished if the Commission creates a market structure that facilitates the viability of local and/or regional PCS providers. Accordingly, CPI urges the Commission to 1) adopt a licensing structure that necessitates the existence of small businesses and 2) adapt the minority tax certificate program to the PCS industry.

Respectfully submitted,

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